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Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the Joint Inspection Unit on policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit for the consideration of the members of the General Assembly his comments, as well as those of the Administrative Committee on Coordination, on the report of the Joint Inspection Unit entitled "Policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system" (A/54/702), which are contained in the annex.

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Annex

Comments of the Secretary-General and the Administrative Committee on Coordination on the report of the Joint Inspection Unit entitled "Policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system"

Introduction

1. The report of the Joint Inspection Unit entitled "Policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system" (A/54/702), brings together information provided by the various organizations of the United Nations system on their experiences in the use of private management consulting firms, as well as some statistical data. This type of compendium is no doubt useful for reference purposes, although the recommendations are of a fairly general nature. On the whole, these would apply to any situation in which the organizations of the United Nations system would be contracting for services and are already in effective practice in most of them.

General comments

2. While appreciating the intent of the report and the effort put into its preparation, many organizations believe that the report suffers from lack of rigorous analysis and a clear methodology. As a result material received from organizations of the system was not properly standardized or classified, which contributed to statements in the report that were either too general or could not be substantiated. This absence of rigorous analysis unfortunately eroded the validity of some of the conclusions and recommendations in the report. The questions on methodology employed point towards the absence of evidence of comprehensive research work or the inability of the report to substantiate fully its findings. For example, one organization found somewhat puzzling the statement that internal and external oversight services should be used as a primary source of expertise in the management field.

3. Many organizations feel that the basic objective of the report's findings is to reduce cost in the use of such firms without due regard to "quality", which in their view is a somewhat simplistic approach. They also point out that based on the current management practice, the United Nations system, following the example of the public and private sector, seeks to reduce regulations. The Joint Inspection Unit on the other hand proposes regulating the use of management consulting firms but without any substantial argument or evidence that would support such a proposal. Several similar instances have been pointed out. These include the statements in the executive summary, conclusions and recommendations of the report that private firms are engaged because the United Nations agencies are short of resources; or that firms from countries that have sound managerial principles are not used as often as others; or that organizations appear to choose firms from certain countries because of the perception that such firms are more knowledgeable. All these statements are unsubstantiated and in some instance even contradicted by the contents of the report.

4. The Joint Inspection Unit states that the United Nations system provides "comparatively lower salaries" and does not provide "well-structured career development plans" for its staff. This in general is contradictory to the position maintained by the International Civil Service Commission. In view of the overall lack of analysis and clear methodology in the report, the statement that its conclusions "are based in the first place on elements originating with the organizations themselves" would appear to be untenable.

5. In these days of globalization and multinational companies, most of the large consultancy firms have offices and independent operations and personnel from across the world. It is not clear what conclusion, if any, can be drawn from paragraphs 21 and 22 under the heading "Geographical distribution".

6. The discussion in paragraphs 29 and 30, under the heading, "Rotation and quality control", does not provide any useful analysis, although it should be pointed out that standard clauses on arbitration are

almost universally applied by the organizations of the system.

7. It has been pointed out that the overall analysis of the contracting practices in the United Nations does not appear to be based on sound information about Integrated Management Information System (IMIS). Contrary to the statement made in paragraph 34 of the report, IMIS was developed by three large consulting firms, namely, Systemhouse (then a public consulting firm), Deloitte and Touche and Price Waterhouse. The reason why three different firms were used is because the United Nations followed the practice of competitive bidding at each phase of the project.

8. It has also been pointed out that there is no reference in the report to the contracts committees which are the norm in the United Nations, while such reference is contained in other parts of the report for the other organizations.

Comments on recommendations

Recommendation 1: Policy framework

The participating organizations should elaborate policies, standards and procedures concerning the utilization of management consulting firms, together with explicit and rational assessment criteria, for submission to their legislative organs. The organizations should, in particular, develop flexible guidelines for subcontracting, feasibility studies, procedures and checklists for the call for bids, methods for evaluating potential consulting firms and procedures for overseeing control and follow-up. The following elements should be reflected in the guidelines:

(a) Alternatives to hiring external management consulting firms should be sufficiently considered, including reliance on appropriate internal specialist bodies, ad hoc task forces, interdepartmental committees, or recourse to appropriate United Nations system entities, such as the International Computing Centre (ICC) and the Information Systems Coordination Committee (ISCC) in the area of information technologies and the United Nations Staff College or the Joint Inspection Unit in broad management areas;

(b) A prior cost-benefit analysis of the objectives to be attained by the organization, including new expertise to be acquired by its staff, should be drawn up when engaging management consulting firms;

(c) The need for case-by-case legislative authority for hiring management consulting firms should be ascertained;

(d) The need for strict terms of reference defining, among other things, the level and range of new skills to be transferred to the organization, should be borne in mind.

9. Nearly all organizations of the system follow fairly well-established regulations and methodologies for the use of the services of private management consulting firms. Reliance on general rules of procurement of services, rather than having unnecessarily complicated arrangements to manage consultancy services, has generally worked satisfactorily. Several organizations believe that trying to institutionalize rigid administrative policies, standards and procedures will not only add to further bureaucratization of existing arrangements, but may well run contrary to modern management principles, as well as the need for flexibility given the differences in the specific requirements of the different organizations of the system.

10. They believe that the reference to ICC and ISCC as alternatives to the hiring of external management consulting firms seems to be contrary to the role, mandate and responsibilities of these bodies.

11. The organizations of the system do not agree with the recommendation to ascertain, on a case-by-case basis, legislative authority for hiring management consulting firms since the decision for hiring is within the purview of the chief administrative officers of the various agencies. Most organizations already have rules and procedures that dictate the way they hire management consulting firms and they invariably consider all alternatives to hiring external management consulting firms before doing so. Organizations do, however, agree with the need to have more collaboration within the system in that area while remaining sufficiently flexible.

Recommendation 2: Monitoring and control

The organizations should ensure that they count with adequate internal expertise and means to monitor as closely as possible the performance of management consulting firms, including their transfer of new management skills to the organization at all stages of contract delivery, so as to ensure the creation and preservation of institutional memory.

12. This recommendation is considered as self-evident for almost all organizations.

Recommendation 3: Follow-up actions

The organizations should conduct ex post facto evaluations of the performance and extent of implementation of the recommendations of management consulting firms, including, especially, cost-effective benefits and the impact of their work within the organization, and should share with other organizations, as appropriate, the results of such evaluations (also see recommendation 4 below).

13. Many organizations support this recommendation and maintain that this is already being done. They point out that under current practice, contracts already undergo performance evaluations. Cost-effective benefits of management studies, however, are more difficult to assess. Very often management studies, may contain recommendations that may or may not be implemented. Information sharing is done on an ad hoc basis when the need arises. It should be noted, however, that the quality of output is not necessarily dependent upon the consulting firm alone, but also on the particular staff assigned to each project and the managerial skills in the firm.

Recommendation 4: Inter-organization cooperation and coordination

The organizations should reinforce system-wide cooperation and coordination in the use of management consulting firms by, among other things:

(a) Developing and sharing rosters of cost-effective management consulting firms that possess United Nations system experience and originate in as wide a range of countries as possible;

(b) Sharing experience and information on the use of management consulting firms under an appropriate agenda item at meetings of the Administrative Committee on Coordination.

14. Since most organizations follow their respective rules and regulations and advertise most, if not all, contract opportunities, it may not be necessary to incur the added cost and engage in the difficulty of maintaining a central roster. Organizations generally agree that cooperation in all matters, including in this case, is useful. Some organizations note that flexibility implies less centralization of information and procedures. The Administrative Committee on Coordination has established a High-level Committee on Management, which could consider the issue in a broader context but it does not believe that maintaining a roster would serve any useful purpose. The Inter-Agency Working Group on Common Services may be the most appropriate place for this matter to be taken up.

Recommendation 5: Conflicts of interest

The organizations should guard against possible conflicts of interest when awarding contracts to management consulting firms or when hiring former agents or personnel of these firms, especially when they have been involved in the negotiation or execution of specific contracts.

15. Organizations endorse this recommendation and underline that they are sensitive to the issue. It is also noted that conflict of interest, including intellectual conflict, or hiring firms to act as a vehicle for supplying apparent credibility to predefined aims, should be avoided scrupulously. In addition, and as acknowledged by the Joint Inspection Unit itself, the contractual terms and conditions obtained in the United Nations system are very often unattractive compared with those being offered by private firms. Therefore, it is and will seldom be the case that staff members from private firms will be recruited by the United Nations.

Recommendation 6: Regionally based firms

As a cost-saving measure, preference should be given to regionally based firms with

the required expertise and qualifications, when available.

16. Some organizations have been trying their best in that direction when circumstances permit and bearing in mind the existing rules, regulations and practices. They point out however, that giving preference to the regionally based firms cannot always guarantee the technical merits and the cost benefit that are key conditions in hiring management consulting firms.

Recommendation 7: Rotation policy

Without prejudice to recommendation 6 above and to other cost-effective considerations, the organizations should adopt a policy of rotating management consulting firms to ensure that they derive the broadest possible benefits from their relations with such firms.

17. Few organizations believe that rotation of firms can benefit them. There is, meanwhile, a large consensus on selecting management consulting firms according to the criteria of merit and cost-effectiveness. This recommendation would thus appear to be in contravention of existing rules and regulations and practice of the organizations of the United Nations system.

Recommendation 8: Language and country of publication of advertisements for international biddings

The organizations are urged to advertise for international biddings in as many official languages and in as many countries as possible, with a view to broadening the range of firms from all regions and countries becoming aware of opportunities for contracts with United Nations system organizations and actively participating in such bidding.

18. The organizations of the United Nations system appreciate the intent of this recommendation but are concerned about its practicality and cost-effectiveness in the absence of any in-depth evaluation or cost-benefit analysis. The question of languages is very sensitive, translation is time-consuming and advertisement can be cost ineffective. However, they see great merit in taking advantage of information technologies to extend their outreach by using the Internet to the maximum extent possible and exploring other innovative methods in this regard.

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19. The United Nations Educational, Scientific and Cultural Organization has pointed out that the statement in paragraph 95 of the report that its "Executive Board generally approves the budgets of consulting projects before they can be implemented" is not accurate, although it might be valid in some special cases.

20. The International Trade Centre has pointed out that it does not have "a penalty system" as stated in paragraph 28 of the report.